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LANSING

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**TO:** Participating Schools and Lenders

**FROM:** Patricia W. Scott, Director

**DATE:** March, 2003

**SUBJECT:** Educational Loan Notes

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**FINANCIAL AID PERSON OF THE QUARTER**

Starting as a student employee in the Financial Aid Office at Jackson Community College, Janet Zukowski is now the Director of Financial Aid. She tells people that she has worked in financial aid since the age of 12, before child labor laws. As you can see, Janet has a great sense of humor. The rewarding part of her position is assisting students in obtaining their educational goals and seeing graduates full of smiles.

Jackson Community College's financial aid staff is instrumental in helping Janet provide excellent service to students. She works hard to ensure her staff is happy and is rewarded with a dedicated staff that takes a personal interest in their students. Surveys completed by students on all aspects of the student development area rank the Financial Aid Office highly. They encourage students to take advantage of any services the college provides. The "Center for Student Success" offers a multitude of programs, services, software, accommodations, specialized equipment, and funding to assist students academically, physically, and financially with their course work. She said that the perfect campus configuration that would allow her to serve her students most effectively would be for all service areas to be located near one another and have sufficient staff to serve students. She feels the location of offices and adequate space provides a welcoming appearance.

Industry training and conferences have greatly influenced her and she especially enjoys the Michigan State Financial Aid Administrators (MSFAA) conferences and MGA's workshops. MSFAA conferences provide a good training base as well as a place to network with colleagues. MGA workshops provide excellent updates and an opportunity to "stay current" in a dynamic industry. Professional influences are too numerous to mention, but Janice says they know who they are.

Reflecting on regulations and changes, Janet indicates she would like to find more grant funds for students to decrease their need for loans. She feels many students do not realize the large sums of money they are borrowing and the impact it will have on their future. Currently, Janet's office is using Whizkid for loan processing and they receive funds through EFT for the majority of their borrowers. A critical issue for her has been the ever-changing world of technology. She has had to implement several new policies and procedures. The most current challenge is the budget situation that all institutions must face.

Challenges are nothing more than opportunities for Janet, a characteristic she learned from her parents, the most influential people in her life. Her father came alone from Poland as a nine-year old boy and became the man who found her wonderful mother. Her parents have made sacrifices for their children and laid the foundation for their children's lives.

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Janet is far from retirement although she says she has been in financial aid forever. She has often thought of a new job after retirement, such as scrambling for a greeter position at Meijer or Wal-Mart or simply asking, "Do you want paper or plastic?" When she does retire, she would like to have good health, do volunteer work, and be with family and friends. Her financial aid career has been very rewarding.

### **2003 SPRING SCHOOL WORKSHOPS**

Mark your calendar for the 2003 Spring School Workshops. MGA will offer these free workshops at the following locations:

Tuesday, May 20, 2003  
St. John's Golf and Conference Center  
Plymouth, MI

Wednesday, May 21, 2003  
Crowne Plaza  
Grand Rapids, MI

Registration materials will be distributed in April. The tentative agenda topics include:

- Policy and regulatory update.
- FFELP need-to-know issues.
- Credit-card debt on campuses.
- PLUS MPN.
- The financial-aid office staff and privacy issues.
- Financial-aid electronic resources

### **Workshop Overview**

**Policy and regulatory update.** This session will provide easy-to-understand information on federal student financial aid, including a summary of the changes that resulted from the FED-UP initiative. Activities include roundtable discussions on the delivery system and reauthorization.

**Federal Family Education Loan Program (FFELP) need-to-know issues.** A question-and-answer session that reviews what you need to know about FFELP. Test your knowledge of repayment plans, deferments, exit-interview requirements, and loan-cancellation and discharge provisions. We will conclude with an update on what is new in FFELP.

**Credit-card debt on campuses.** More than half of all college students possess at least one credit

card. Why is this an issue for the financial-aid administrator? The percentage of students misusing credit is even higher for those with education-related loans. According to a 2001 Nellie Mae study, the average undergraduate credit-card debt is more than \$2,000.

**PLUS Master Promissory Note (MPN).** Do you know when and how the new PLUS MPN should be used? Key features of the PLUS MPN, including the processing requirements, will be discussed during this session. We also will explore processing procedures that you can take back to the office.

**The financial-aid office staff and privacy issues.** When to release student records is an interesting question that confronts financial-aid office staff on a daily basis. This informative session will explore the background of the Federal Education Rights and Privacy Act (FERPA) and review some recent legislative amendments, including the Patriot Act, the Campus Sex Crimes Prevention Act, and the Student and Exchange Visitor Information System. In addition to providing examples of how campuses are complying with the Act, we will examine a number of interesting case studies (obtained from actual financial-aid records.) This interactive session will provide you background knowledge about credit, information on the current status of student credit-card debt, and resources and tools you can use to help students.

**Financial-aid electronic resources.** With continuing advances in technology, financial-aid administrators should familiarize themselves with the many electronic resources available to assist them with their daily operations. This reference piece will discuss and highlight the various Web sites available to the financial-aid administrator. This tool also will include e-mail lists and electronic newsletters that you also might find useful.

### **Afternoon Session**

The afternoon session is reserved for an "Open Forum" discussion on topics of interest to the participants. MGA is in the process of soliciting ideas for this session. One suggestion is a discussion of Life Skills™ and its use in Michigan. If you have topics you would like to discuss, please contact Stacy Cardwell at ext. 36074 or via e-mail [cardwells@michigan.gov](mailto:cardwells@michigan.gov)

### **ENTRANCE/EXIT COUNSELING REQUIREMENTS**

The FED UP Higher Education Amendments of 2002 made technical amendments to the Higher Education Act of 1965. Entrance and exit counseling requirements were impacted. The following are changes that affect entrance counseling.

- Schools are no longer required to *personally* conduct entrance counseling. Other entities may perform this responsibility on the school's behalf.
- The consequences of default no longer must be explained in "forceful terms."
- "Federal offset" is included as one of the consequences of default.
- The borrower must be provided sample monthly repayments amounts based on:
  - A range of indebtedness
  - The average indebtedness of Stafford borrowers at that school, or
  - The average indebtedness of borrowers in that program of study at that school.

Schools that only use the **entrance counseling videotape** would need to provide additional information in order to comply with regulations. The video, although informative, does not:

1. Explain the use of the Master Promissory Note.
2. Explain the consequences of default.
3. Explain that "Federal offset" is included as one of the consequences of default.

The following are changes that affect exit counseling.

- Schools are no longer required to *personally* conduct exit counseling. Other entities may perform this responsibility on the school's behalf.
- Standard, graduated, extended, and income-sensitive repayment plans, as well as loan consolidation must be explained.
- Conditions under which a student may receive forbearance.
- Availability of Title IV loan information on NSLDS for the student's information.
- The borrower must provide, *not just correct*, current information regarding name, address, social security number, references, driver's license number and

state of issuance, expected permanent address, address of next of kin, and the name and address of the expected employer (if known).

Schools that only use the **exit counseling videotape** would need to provide additional information in order to comply with regulations. The video, although informative, does not:

1. Explain conditions under which a student may receive forbearance. The videotape did explain the definition of forbearance.
2. Review deferment options with students. The videotape did explain the definition of deferment.
3. Disclose the availability of Title IV loan information on the National Student Loan Database (NSLDS).

Contact Nancy Vaughn at ext. 31871 or via e-mail [vaughnn@michigan.gov](mailto:vaughnn@michigan.gov) for questions concerning entrance and exit counseling requirements.

### **ED ANNOUNCES eCDR PROCESS**

The U.S. Department of Education (ED) recently released Dear Colleague letter [GEN-03-5](#) that describes the new electronic process that will be used to notify institutions of their draft and official cohort default rates in the FFEL and Direct Loan programs. Excerpts from the letter follow.

Beginning with the just completed distribution of Fiscal Year 2001 (FY '01) draft cohort default rates and continuing for both draft and official cohort default rate notifications thereafter, ED will electronically transmit cohort default rate notification packages to domestic institutions using the Student Aid Internet Gateway (SAIG).

This electronic process, called "eCDR", will replace the paper notification processes previously used. eCDR packages will be delivered to the SAIG destination point designated by each institution. An institution's destination point could be a third party servicer.

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All domestic institutions must designate, no later than June 1, 2003, an SAIG destination point that will receive the institution's electronic cohort default rate (eCDR) notification packages. The designation of the eCDR destination point must be conducted through the SAIG enrollment process at: [www.sfawebenroll.ed.gov](http://www.sfawebenroll.ed.gov)

As part of its SAIG registration each institution must submit, by June 1, 2003, a hardcopy SAIG signature page signed by the institution's Chief Executive Officer (CEO) (e.g., President, Chancellor, Owner) or the person previously designated by the CEO as the institution's SAIG signature authority. Once SAIG enrollment is completed, the institution's designated destination point will receive electronic school cohort default rate notification packages unless the school changes the destination point by submitting a revision to its SAIG enrollment.

Each eCDR package will include (1) an electronic cover letter, (2) electronic loan record detail information in a reader-friendly print file report format, and (3) electronic loan record detail information in a data extract analysis-friendly format. Using the extract format of the loan record detail report can facilitate any challenge, adjustment, and appeal process and in default prevention activities. The cover letter will describe any consequences associated with the reported cohort default rate(s).

Electronic Cohort Default Rate (eCDR) Notification Process

For each eCDR distribution ED will announce on the Information for Financial Aid Professionals (IFAP) Web site ([www.ifap.ed.gov](http://www.ifap.ed.gov)) the date of the electronic transmission of cohort default rate information. The time periods for institutions to make appeals and challenges and to seek adjustments under 34 CFR part 668, subpart M will begin with the sixth business day after the date the eCDR packages were transmitted to the SAIG destination points, as noted in the IFAP announcement. Therefore, it is important for each institution to access its eCDR package as quickly as possible on or after the date of transmission, as announced on IFAP, and to determine if it has any technical difficulties accessing the information. Requests for assistance in the resolution of technical difficulties must be made by e-mail and addressed to ED's Default Management sharepost at [fsa.schools.default.management@ed.gov](mailto:fsa.schools.default.management@ed.gov).

Each institution is responsible for updating its SAIG enrollment whenever a change is needed to its eCDR destination point. Failure of an institution to enroll in or update SAIG for the eCDR process does not constitute a valid, timely technical problem that would extend timeframes or deadlines for appeals, challenges, and adjustments.

Institutions should refer to the IFAP and Schools Portal Web sites for updates on the eCDR process. If you have any questions regarding eCDR, please contact ED's Default Management team by phone at (202) 377-4259, by FAX at (202) 275-4511 or via e-mail at: [fsa.schools.default.management@ed.gov](mailto:fsa.schools.default.management@ed.gov).

#### **ED SEEKS COMMENTS ON PROPOSED 2004-2005 FAFSA**

ED is soliciting comments on the Free Application for Federal Student Aid (FAFSA) that is proposed for use for the 2004-2005 award year. Interested parties can access the document at [ifap.ed.gov](http://ifap.ed.gov); scroll to "Publications"; click on "FAFSAs and Renewal FAFSAs"; click on "By 2004- 2005 Award Year"; and click on "Draft FAFSA Form/Instructions". The draft 2004-2005 FAFSA incorporates suggestions from the community to simplify the FAFSA form and reduce the number of questions from 104 to 97. Some of the proposed changes include: (1) Reducing the five enrollment status questions to one question; (2) Combining the two questions regarding the highest school the applicant's parents completed into one questions; and (3) Removing the question asking if the applicant is interested in loans or work-study. In addition to comments on the proposed changes, ED is interested in comments with regard to the following questions: (1) Is this collection necessary to the proper functions of ED? (2) Will this information be processed and used in a timely manner? (3) Is the estimate of burden accurate? (4) How might ED enhance the quality, utility, and clarity of the information to be collected? and (5) How might ED minimize the burden of this collection on the respondents, including through the use of information technology? Comments are due on or before May 5, 2003, and should be sent to [Joseph.Schubart@ed.gov](mailto:Joseph.Schubart@ed.gov).

### COMMON MANUAL UPDATES

The sixty-ninth set of *Common Manual* updates was mailed in February to MGA clients. These updates represent a number of policy and wording changes approved by the Governing Board on January 16, 2003.

- **Economic Hardship Deferment Verification of Foreign Income**
- **Treatment of Payments after Total and Permanent Disability Claim Filing**
- **IRS Reporting Requirements for Lenders (Deferred)**
- **Mandatory Administrative Forbearance**
- **Applying for a Stafford Loan**
- **Deferment Eligibility Chart**

If you have any questions about this or past mailings of *Common Manual* changes or updates, please contact [Suzie Gibson](#), ext. 56769.

### NEW TELEPHONE LISTS

Attached to this issue of *Educational Loan Notes* are updated telephone lists for MGA staff.

### LENDER LIST UPDATES

School personnel should record the following actions on the "Participating Lender List" dated November 12, 2002. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact the Lender Services Unit at ext. 36076.

### SCHOOL LIST UPDATES

The MGA "Active Michigan School List" has been updated and will be mailed the week of January 20, 2003. If you have any questions regarding these updates, please contact the Stacy Cardwell, ext. 36074.

### THE "ED" PIPELINE

Following is a list of some of the most recent ED correspondence for schools and lenders.

[Dear Partner](#)  
[March 2003](#)  
[GEN-03-5](#)

This letter describes the new electronic process that will be used to notify institutions of their draft and official cohort default rates in the FFEL and Direct Loan programs

[Dear Partner](#)  
[March 2003](#)  
[GEN-03-04](#)

This letter discusses the approval of Revised Unemployment Deferment and Economic Hardship Deferment Forms for the Federal Family Education Loan Program

[Dear Partner](#)  
[February 2003](#)  
[GEN-03-03](#)

This letter discusses the implementation of a PLUS Master Promissory Note.

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## Calendar of Upcoming Events

### March 2003

**31**      Deadline – Audits for lenders with FFELP loans totaling more than \$5 million – fiscal year ending September 30, 2002.

### April 2003

**8**            Mapping Your Future Daytime Chat  
Debt Management Strategies

### May 2003

**6**            Mapping Your Future Evening Chat

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at ext. 36944, or via e-mail at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).

Loan      Forgiveness,      Discharge,      and  
Cancellation

**13**      Guaranty Agency Advisory Committee Meeting  
MSU - University Club

**20**      Spring School Workshop  
Plymouth, MI

**21**      Spring School Workshop  
Grand Rapids, MI

**26**      MGA Office Closed

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